INCOME-TAX RULES, 2026

[G.S.R. 198(E), DATED 20-3-2026]

In exercise of powers conferred by section 533 of the Income-tax Act, 2025 (30 of 2025), the Central Board of Direct Taxes hereby makes the following rules, namely:–

Short title and commencement.

1. (1) These rules may be called the Income-tax Rules, 2026.

(2) They shall come into force on the 1st April, 2026.

Definitions.

2. (1) In these rules, unless the context otherwise requires,—

(*a*) "Act" means the Income-tax Act, 2025 (30 of 2025);

(*b*) "authorised bank" means any bank as may be appointed by the Reserve Bank of India as its agent under the provisions of sub-section (1) of section 45 of the Reserve Bank of India Act, 1934 (2 of 1934);

(*c*) "Form" means a Form in Appendix III appended to these rules;

(*d*) "section" means a section of the Act.

(2) Words and expressions used herein and not defined but defined in the Act shall have the meanings respectively assigned to them in the Act.

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Arrangements for declaration and payment of dividends within India.

3. The arrangements referred to in section 2(*42*) to be made by a company for the declaration and payment of dividends (including dividends on preference shares) within India shall be as follows:

(*a*) the share-register of the company for all shareholders shall be regularly maintained at its principal place of business within India, in respect of any tax year from a date not later than the 1st April of such year;

(*b*) the general meeting for passing the accounts of the tax year and for declaring any dividends in respect thereof shall be held only at a place within India; and

(*c*) the dividends declared, if any, shall be payable only within India to all shareholders.

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Conditions that a stock exchange is required to fulfil to be notified as a recognised stock exchange under section 2(92).

4. For the purposes of section 2(*92*), a stock exchange shall fulfil the following conditions in respect of trading in derivatives:—

(*a*) the stock exchange shall have the approval of the Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992 (15 of 1992) in respect of trading in derivatives and shall function in accordance with the guidelines or conditions laid down in this behalf by the Securities and Exchange Board of India;

(*b*) the stock exchange shall ensure that the particulars of the client (including unique client identity number and Permanent Account Number) are duly recorded and stored in its databases;

(*c*) the stock exchange shall maintain a complete audit trail of all transactions (in respect of cash and derivative market) for a period of seven tax years on its system;

(*d*) the stock exchange shall ensure that transactions (in respect of cash and derivative market) once registered in the system are not erased;

(*e*) the stock exchange shall ensure that the transactions (in respect of cash and derivative market) once registered in the system, are modified only in cases of genuine error; and

(*f*) the stock exchange shall maintain data regarding all transactions (in respect of cash and derivative market) registered in the system which have been modified and submit a monthly statement in Form No. 1 to the Director General of Income-tax (Systems), within fifteen days from the last day of each month to which such statement relates.

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Procedure for notification of a recognised stock exchange for the purposes of section 2(92).

5. (1) An application for notification of a stock exchange as a recognised stock exchange for the purposes of section 2(*92*) may be made to the Member (Income Tax), Central Board of Direct Taxes, New Delhi.

(2) The application referred to in sub-rule (1) shall be accompanied with the following documents:—

(*a*) approval granted by the Securities and Exchange Board of India for trading in derivatives;

(*b*) up-to-date rules, bye-laws and trading regulations of the stock exchange;

(*c*) confirmation regarding fulfilling the conditions referred to in clauses (*b*) to (*f*) of rule 4; and

(*d*) such other information as the stock exchange may like to place before the Central Government.

(3) The Central Government may call for such other information from the applicant as it deems necessary for taking a decision on the application.

(4) The Central Government, after examining the information furnished by the stock exchange under sub-rule (2) or sub-rule (3), shall notify the stock exchange as a recognised stock exchange for the purposes of section 2(*92*) or issue an order rejecting the application before the expiry of six months from the end of the month in which the application is received.

(5) The notification referred to in sub-rule (4) shall be effective until the approval granted by the Securities and Exchange Board of India is withdrawn or expires, or the said notification is rescinded by the Central Government.

Method of determination of period of holding of capital assets in certain cases.

6. (1) For the purposes of section 2(*101*)(*c*)(*D*), the period for which such capital asset is held by an assessee, shall be determined in accordance with the provisions of this rule.

(2) For the capital asset mentioned in column B of the Table below, the period for which the capital asset is held by the assessee shall be determined in accordance with column C thereof:

TABLE

Sl. No.	*Nature of Assets*	*Period of holding*
A	*B*	*C*
1.	Shares or debentures of a company, which becomes the property of the assessee under the circumstances mentioned in section 70(1)(*z*).	The period of holding shall include the period for which the bond, debenture, debenture-stock or deposit certificate, as the case may be, was held by the assessee prior to the conversion.
2.	Capital asset declared under the Income Declaration Scheme, 2016 made under the Finance Act, 2016 (28 of 2016).	(*i*) In the case of an immovable property, the period for which such property is held is to be reckoned from the date on which such property is acquired, if the date of acquisition is evidenced by a deed registered with any authority of a State Government; and (*ii*) in any other case, the period for which such asset is held shall be reckoned from the 1st June, 2016.
3.	Capital asset which became the property of the Indian subsidiary company in consequence to conversion of a branch of a foreign company referred to in section 219(1).	The period of holding shall include the following: (*i*) the period for which the asset was held by the said branch of the foreign company; or (*ii*) the period for which the asset was held by the previous owner, if any, who has acquired the capital asset by a mode of acquisition referred to in section 73(1) [Sl. No. 1. C.A] or section 219(1).

(3) In case of the amount which is chargeable to income-tax as income of a specified entity under section 67(10) under the head "Capital gains",—

(*a*) the amount or a part of it shall be considered to be from transfer of short-term capital asset, if it is attributed to,—
- (*i*) the capital asset which is short-term capital asset at the time of taxation of amount under section 67(10); or
- (*ii*) capital asset forming part of block of asset; or
- (*iii*) capital asset being self-generated asset and self-generated goodwill as defined in section 67(11); and

(*b*) the amount or a part of it shall be considered to be from transfer of long-term capital asset or assets, if it is attributed to capital asset which is not covered by sub-clause (*i*) of clause (*a*) and is long-term capital asset at the time of taxation of amount section 67(10).

Procedure for notification of zero coupon bond.

7. (1) An application by an entity, being an infrastructure capital company or infrastructure capital fund or infrastructure debt fund or a public sector company under section 2(*112*), for notification of any zero coupon bond proposed to be issued by it shall be made in Form No. 2 at least three months before the date of issue of such bond.

(2) An application made under sub-rule (1) shall not be made for notification of a bond which is to be issued beyond a period of two financial years following the financial year in which such application is made.

(3) An application made under sub-rule (1) shall be disposed of within a period of six months from the end of the month in which such application was received.

(4) Every application, under sub-rule (1), shall be accompanied by the following documents:—

(*a*) where the application is made by any infrastructure capital company or infrastructure debt fund or a public sector company, being a Government company defined under section 2(*45*) of the Companies Act, 2013 (18 of 2013), a copy of certificate of incorporation under the said Act;

(*b*) where the application is made by any infrastructure capital fund, a copy of the trust deed registered under the provisions of the Registration Act, 1908 (16 of 1908); and

(*c*) where the application is made by a public sector company, being any corporation, established by or under any Central Act or State Act or Provincial Act, a copy of the relevant Act.

(5) The Central Government, while specifying a zero coupon bond, by notification, shall satisfy itself that the following conditions are fulfilled:—

(*a*) the period of life of the bond is not less than ten years and not more than twenty years;

(*b*) the entity proposing to issue a zero coupon bond has an investment grade rating from at least two credit rating agencies registered under section 12(1A) of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*c*) necessary arrangement has been made by the said entity for listing the zero coupon bond in a recognised stock exchange in India;

(*d*) the entity shall furnish an undertaking along with the application that the money realised on issue of the zero coupon bond shall be invested by it in the following manner:—

(*i*) 25% or more of such realisation before the end of the financial year immediately following the financial year in which the bond is issued;

(*ii*) the balance of such realisation within a period of four financial years immediately following the financial year in which the bond is issued; and

(*e*) where the application is made by an infrastructure debt fund, such fund shall along with the application, submit an undertaking that a sinking fund shall be maintained for the interest which will accrue on all the zero coupon bonds subscribed and such interest shall be invested in Government security as defined under section 2(*f*) of the Government Securities Act, 2006 (38 of 2006).

(6) The Central Government, after having satisfied itself about fulfilling of the conditions referred to in this rule, shall specify the bond, by notification, giving therein, *inter alia*, the following particulars:—

(*a*) name of the bond;

(*b*) period of life of the bond;

(*c*) the time schedule of the issue of the bond;

(*d*) the amount to be paid on maturity or redemption of the bond;

(*e*) the discount; and

(*f*) the number of bonds to be issued.

(7) The Central Government may, if the applicant fails to fulfil the conditions referred to in this rule, reject the application for notification after giving a reasonable opportunity of being heard.

(8) Every entity shall submit within two months from the end of each financial year referred to in sub-rule (5)(*d*), a certificate from an accountant as defined in section 515(3)(*b*), specifying the amount invested in each year in Form No. 3.

(9) The Central Government shall have the power to withdraw the notification, if the applicant fails to fulfil any of the conditions referred to in this rule.

(10) For the purposes of this rule,—

(*i*) "discount" and "period of life of the bond" shall have the meanings respectively assigned to them in section 32(*d*)(*i*) and (*ii*); and

(*ii*) "infrastructure debt fund" shall mean the infrastructure debt fund as may be notified by the Central Government under Schedule VII [Table: Sl. No. 46].

Computation of period of stay in India for an Indian citizen, being a member of the crew of a foreign bound ship.

8. (1) For the purposes of section 6(6), in case of an individual, being a citizen of India and a member of the crew of a foreign bound ship, the period or periods of stay in India in respect of an eligible voyage, shall not include the period computed under sub-rule (2).

(2) The period referred to in sub-rule (1) shall be the period beginning on the date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage and ending on the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage.

(3) For the purposes of this rule,—

(*a*) "Continuous Discharge Certificate" shall have the same meaning as assigned to it in the Merchant Shipping (Continuous Discharge Certificate-*cum*-Seafarer's Identity Document) Rules, 2001 made under the Merchant Shipping Act, 1958 (44 of 1958);

(*b*) "eligible voyage" shall mean a voyage undertaken by a ship engaged in the carriage of passengers or freight in international traffic, where —

(*i*) for the voyage having originated from any port in India, has as its destination any port outside India; and

(*ii*) for the voyage having originated from any port outside India, has as its destination any port in India.

Determination of income in case of non-residents.

9. In any case in which the Assessing Officer is of opinion that the actual amount of the income accruing or arising to any non-resident person, whether directly or indirectly, through or from —

(*a*) any asset or source of income in India; or

(*b*) any property in India; or

(*c*) any business connection in India,

cannot be definitely ascertained, the amount of such income for the purposes of assessment to income-tax may be calculated —

(*i*) at such percentage of the turnover so accruing or arising as the Assessing Officer may consider to be reasonable; or

(*ii*) on any amount which bears the same proportion to the total profits and gains of the business of such person (such profits and gains being computed in accordance with the provisions of the Act), as the receipts so accruing or arising bear to the total receipts of the business; or

(*iii*) in such other manner as the Assessing Officer may deem suitable.

Definition of terms for rules 11 and 12.

10. For the purposes of rules 11 and 12, —

(*a*) "accountant" —

(*i*) means an accountant referred to in section 515(3)(*b*), who fulfils the following conditions: —

(*A*) if he is pursuing the profession of accountancy individually or is a valuer then —

(*I*) he has professional experience of not less than ten years; and

(*II*) his annual receipt in the year preceding the year in which valuation is undertaken, from the exercise of profession, exceeds fifty lakh rupees;

(*B*) if he is a member or partner in any entity engaged in rendering accountancy or valuation services then, the annual receipt of the entity in the year preceding the year in which valuation is undertaken exceeds three crore rupees;

(*ii*) includes any valuer recognised for undertaking similar valuation by the government of the country where the foreign company or the entity is registered or incorporated or any of its agencies, who fulfils the following conditions: —

(*A*) the condition referred to in items (*A*) and (*B*) of clause (*a*)(*i*);

(*B*) if he is a member or partner in any entity engaged in rendering accountancy or valuation services then, the entity or its affiliates have presence in more than two countries;

(*b*) "balance sheet", —

(*i*) (*A*) in relation to an Indian company, means the balance-sheet of such company (including the notes annexed thereto and forming part of the accounts) as drawn up on the specified date which has been audited under the laws relating to companies in force; and

(*B*) in any other case, it means the balance-sheet of the company or the entity (including the notes annexed thereto and forming part of the accounts) as drawn up on the specified date and submitted to the relevant authority outside India under the laws in force of the country in which the foreign company or the entity is registered or incorporated; and

(*ii*) where, —

(*A*) finalisation of accounts is pending as on specified date for the purposes of items (*A*) and (*B*) of sub-clause (*i*), it means an interim balance-sheet drawn up as on the specified date and approved by the board of directors of the company or an equivalent body in case of any other entity; and

(*B*) the specified date is the date referred to in section 9(10)(*d*)(*ii*), it means the balance sheet as drawn up on the specified date and certified by an accountant;

(*c*) "book value of the liabilities" means the value of liabilities as shown in the balance-sheet of the company or the entity, as the case may be, excluding the paid-up capital in respect of equity shares or members' interest and the general reserves and surplus and security premium related to the paid-up capital;

(*d*) "connected person" shall have the meaning assigned to it in section 184(5);

(*e*) "foreign company or entity" means a company or entity registered or incorporated outside India;

(*f*) "observable price" in respect of a share quoted on a stock exchange shall be the higher of the following: —

(*i*) the average of the weekly high and low of the closing prices of the shares quoted on the said stock exchange during the six months period preceding the specified date; or

(*ii*) the average of the weekly high and low of the closing price of the shares quoted on the said stock exchange during the two weeks preceding the specified date;

(*g*) "right of management or control" shall include the right to appoint majority of the directors or to control the management or policy decision exercisable by a person or persons acting individually or together, directly or indirectly, including by virtue of shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

(*h*) "specified date" shall have the meaning assigned to it in section 9(10)(*d*);

(*i*) "telegraphic transfer buying rate" shall have the meaning assigned to it in rule 207; and

(*j*) the expressions "merchant banker" and "recognised stock exchange" shall have the meaning respectively assigned to them in rule 56.

Fair market value of assets in certain cases.

11. (1) The fair market value of asset, tangible or intangible, as on the specified date, held directly or indirectly by a foreign company or entity, for the purposes of section 9(10) shall be computed as per this rule with reference to the specified date.

(2) Where the asset is a share of an Indian company listed on a recognised stock exchange on the specified date, the fair market value of the share shall be the observable price of such share on the stock exchange so, however, that —

(*a*) if the share is held as part of the shareholding which confers, directly or indirectly, any right of management or control in the said company, the fair market value of the share shall be determined using the following formula: —

Fair market value = (A+B)/C

Where,—

A = the market capitalisation of the company on the basis of observable price of its shares quoted on the recognised stock exchange;
B = the book value of liabilities of the company; and
C = the total number of outstanding shares; or

(*b*) if, on the specified date, the share is listed on more than one recognised stock exchange, the observable price of the share shall be computed with reference to the recognised stock exchange which records the highest volume of trading in the share during the tax year.

(3) Where the asset is a share of an Indian company not listed on a recognised stock exchange on the specified date, the fair market value of the share shall be —

(*a*) the fair market value as determined by a merchant banker or an accountant as per any internationally accepted valuation methodology for valuation of shares on arm's length basis; and

(*b*) increased by the liability, if any, considered in such determination as per clause (*a*).

(4) Where the asset is an interest in a partnership firm or an association of persons, its fair market value shall be determined in the following manner:—

(*a*) the value of such firm or association of persons, shall be determined by a merchant banker or an accountant as per any internationally accepted valuation methodology as increased by the liability, if any, considered in such determination;

(*b*) the value so computed in clause (*a*), as is equal to the amount of its capital, shall be allocated among its partners or members in the same proportion in which the capital has been contributed by them;

(*c*) the residue of the value shall be allocated among the partners or members as per the agreement of partnership firm or association of persons for distribution of assets in the event of dissolution of the firm or association;

(*d*) in the absence of agreement, as specified in clause (*c*), the residual value shall be allocated in proportion in which the partners or members are entitled to share profits; and

(*e*) the sum total of the amount so allocated as per clauses (*a*) to (*d*) to a partner or member shall be treated as the fair market value of the interest of that partner or member in the firm or the association of persons, as the case may be.

(5) The fair market value of the asset other than those referred to in sub-rules (2), (3) and (4) shall be the price it would fetch, if sold in the open market as determined by a merchant banker or an accountant and increased by the liability, if any, considered in such determination.

(6) The fair market value of all the assets of a foreign company or an entity on the specified date, if conditions specified in column B of the following Table are fulfilled, shall be determined as per column C thereof: —

TABLE

Sl. No.	*Conditions*	*Fair Market Value*
A	*B*	*C*
1.	Where the transfer of share of, or interest in, the foreign company or entity is between the persons who are not connected persons, for the purpose of such transfer.	Fair market value of all assets = A+B Where,— A = Market capitalisation of the foreign company or entity computed on the basis of the full value of consideration for transfer of the share or interest; and B = book value of the liabilities of the company or the entity as on the specified date as certified by a merchant banker or an accountant.
2.	Where the share of the foreign company or entity is listed on a stock exchange on the specified date.	Fair market value of all the assets = A+B Where,— A = Market capitalisation of the foreign company or entity computed on the basis of the observable price of the share on the stock exchange where the share of the foreign company or the entity is listed; and B = book value of the liabilities of the company or the entity as on the specified date.
3.	Where the share is listed on more than one stock exchange on the specified date.	Fair market value of all the assets = A+B Where, — A = Market capitalisation of the foreign company or entity computed on the basis of the observable price of the share on the stock exchange which records the highest volume of trading in the share during the period considered for determining the price; and B = book value of the liabilities of the company or the entity.

4.	Where the share in the foreign company or entity is not listed on a stock exchange on the specified date.	Fair market value of all the assets = A+B Where,— A = fair market value of the foreign company or the entity as on the specified date as determined by a merchant banker or an accountant as per the internationally accepted valuation methodology; and B = value of liabilities of the company of the entity if any, considered for the determination of fair market value in A.

(7) Where fair market value has been determined on the basis of any interim balance sheet referred to in rule 10(*b*)(*ii*), then the fair market value shall be appropriately modified after finalisation of the relevant financial statement as per the applicable laws and all the provisions of this rule and rules 12 and 235 shall apply accordingly.

(8) For determining the fair market value of any asset located in India, being a share of an Indian company or interest in a partnership firm or association of persons, all the assets and business operations of the said company or partnership firm or association of persons shall be taken into account whether such assets or business operation are located in India or outside.

(9) The rate of exchange for calculation in foreign currency, of the value of assets located in India and expressed in rupees shall be the telegraphic transfer buying rate of such currency as on the specified date.

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Determination of income attributable to assets in India.

12. (1) The income from transfer outside India of a share of, or interest in, a company or an entity referred to in section 9(10)(*a*) attributable to assets located in India, shall be determined with reference to the specified date, by the following formula: —

$$A \times \frac{B}{C}$$

Where,—

A = Income from the transfer of the share of, or interest in, the company or the entity computed as per the provisions of the Act, as if, such share or interest is located in India;

B = fair market value of assets located in India as on the specified date from which the share or interest referred to in A derives its value substantially, computed as per rule 11; and

C = fair market value of all the assets of the company or the entity as on the specified date, computed as per rule 11.

(2) If the transferor of the share of, or interest in, the company or the entity referred to in sub-rule (1) fails to provide the information required for the application of the formula in the said sub-rule, then the income from the transfer of such share or interest shall be determined in such manner as the Assessing Officer may deem suitable.

(3) The transferor of the share of, or interest in, a company or an entity referred to in sub-rule (1), shall obtain and furnish along with the return of income a report in Form No. 4 duly signed and verified by an accountant providing the basis of the apportionment as per the formula and certifying that the income attributable to assets located in India has been correctly computed.

Threshold for purposes of significant economic presence.

13. (1) For the purposes of section 9(9)(*d*)(*i*) the aggregate amount of payments from transactions carried out by a non-resident with any person in India, in respect of any goods, service or property including provision for download of data or software in India during the tax year, shall be two crore rupees.

(2) For the purposes of section 9(9)(*d*)(*ii*), the number of users with whom systematic and continuous business activities are solicited or who are engaged in interaction shall be Rs. 300000.

Method for determining amount of expenditure in relation to income not includible in total income.

14. (1) The expenditure in relation to income which does not form part of the total income shall be the aggregate of following amounts:—

(*a*) the amount of expenditure directly relating to income which does not form part of total income; and

(*b*) an amount equal to 1% of the annual average of the monthly averages of the opening and closing balances of the value of investment, income from which does not or shall not form part of total income.

(2) The amounts referred to in sub-rule (1) shall not exceed the total expenditure claimed by the assessee.

Valuation of perquisites.

15.(1) For the purpose of computing the income chargeable under the head "Salaries", the value of perquisites provided by the employer, either directly or indirectly, to the assessee (herein referred to as the employee) or to any member of his household by reason of his employment, shall be determined in accordance with the provisions of this rule.

(2)(*a*) The value of residential accommodation provided by the employer, for the purpose of section 17(1)(*a*) and (*b*), during the tax year, in the circumstances referred in column B of the following Table I, shall be determined in accordance with the column C or column D thereof, as the case may be:

TABLE I

Sl. No.	*Circumstances*	*Where accommodation is unfurnished*	*Where accommodation is furnished*
A	*B*	*C*	*D*
(1)	Where the accommodation is provided by the Central Government or any State Government, to the employees either holding office or post in connection with the affairs of the Union or of such State.	License fee determined by the Central Government or any State Government in respect of accommodation in accordance with the rules framed by such Government as reduced by the rent actually paid by the employee.	Value of perquisite is determined as per the provisions of sub-rule (2)(*e*)
(2)	Where the accommodation is provided by any other employer and—		
	(*a*) where the accommodation is owned by the employer; or	(*i*) 10% of salary in cities having population exceeding forty lakhs as per 2011 census in respect of the period during which the said accommodation was occupied by the employee during the tax year as reduced by the rent, if any, actually paid by the employee; (*ii*) 7.5% of salary in cities having population exceeding fifteen lakhs but not exceeding forty lakhs as per 2011 census in respect of the period during which the said accommodation was occupied by the employee during the tax year as reduced by the rent, if any, actually paid by the employee; and (*iii*) 5% of salary in other areas, in respect of the period during which the said accommodation was occupied by the employee during the tax year as reduced by the rent, if any, actually paid by the employee.	Value of perquisite is determined as per the provisions of sub-rule (2)(*e*)
	(*b*) where the accommodation is taken on lease or rent by the employer.	Actual amount of lease rental paid or payable by the employer or 10% of salary, in respect of the period during which the said accommodation was occupied by the employee during the tax year, whichever is lower, as reduced by the rent, if any, actually paid by the employee.	Value of perquisite is determined as per the provisions of sub-rule (2)(*e*).
(3)	Where the accommodation is provided by the employer specified in serial number (1) or (2) in a hotel (except where the employee is provided such accommodation for a period not exceeding in aggregate fifteen days on his transfer from one place to another).	Not applicable.	Actual charges paid or payable to such hotel or 24% of salary paid or payable for the tax year for the period during which such accommodation is provided, whichever is lower, as reduced by the rent, if any, actually paid or payable by the employee.

(*b*) The provisions of this sub-rule shall not apply to any accommodation temporarily provided to an employee working at a mining site or an on-shore oil exploration site or a project execution site, or a dam site or a power generation site or an off-shore site; which —

(*i*) having plinth area not exceeding 1000 square feet, is located not less than eight kilometres away from the local limits of any municipality or a cantonment board; or

(*ii*) is located in a remote area.

(*c*) Where on account of his transfer from one place to another, the employee is provided with accommodation at the new place of posting while retaining the accommodation at the other place, the value of perquisite shall be determined with reference to only one such accommodation which has the lower value with reference to Table I for a period not exceeding ninety days and thereafter the value of perquisite shall be charged for both such accommodations as provided in the said Table I.

(*d*) Where the accommodation is owned or taken on lease or rent by the employer and the same accommodation is continued to be provided to the same employee for more than one tax year, the amount calculated in accordance with Table I: Sl. No. 2(*a*) or (*b*) shall not exceed the amount so calculated for the first tax year, as multiplied by the amount which is a ratio of the Cost Inflation Index for the tax year for which the amount is calculated and the Cost Inflation Index for the tax year in which the accommodation was initially provided to the employee.

(*e*) For the purposes of this sub-rule, where the accommodation is furnished:—

(*i*) the value of perquisite as determined under Table I: Sl. Nos. 1 and 2. C be increased by 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment), as reduced by any charges paid or payable for the same by the employee during the tax year; and

(*ii*) if such furniture is hired from a third party, the value of perquisite would be the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the tax year.

(*f*) For the purposes of this sub-rule, where the accommodation is provided by the Central Government or any State Government to an employee, who is serving on deputation with any body or undertaking under the control of such Government,—

(*i*) the employer of such an employee shall be deemed to be that body or undertaking where the employee is serving on deputation; and

(*ii*) the value of perquisite of such an accommodation shall be the amount calculated in accordance with Table I: Sl. No. 2(*a*), as if the accommodation is owned by the employer.

(*g*) For the purposes of clause (*d*);

(*i*) "Cost Inflation Index" means the index as may be notified by the Central Government under section 72(8)(*a*);

(*ii*) "first tax year" means the tax year 2023-2024, or the tax year in which the accommodation was provided to the employee, whichever is later.

(3)(*a*) The value of perquisite by way of use of motor car to an employee by an employer, in the circumstances as referred in column B of the following Table II, shall be determined in accordance with column C or column D thereof, as the case may be:

TABLE II

VALUE OF PERQUISITE PER CALENDAR MONTH

Sl. No.	*Circumstances*	*Where cubic capacity of engine does not exceed 1.6 litres or the motor car is an electric vehicle*	*Where cubic capacity of engine exceeds 1.6 litres*
A	*B*	*C*	*D*
(1)	Where the motor car is owned or hired by the employer and—		
	(*a*) is used wholly and exclusively in the performance of his official duties;	no value, if the documents specified in sub-rule (3)(*c*) are maintained by the employer.	no value, if the documents specified in sub-rule (3)(*c*) are maintained by the employer;
	(*b*) is used exclusively for the private or personal purposes of the employee or any member of his household and the running and maintenance expenses are met or reimbursed by the employer;	actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant tax year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.	actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant tax year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by an amount charged from the employee for such use.
	(*c*) is used partly in the performance of duties and partly for private or personal purposes of his own or any member of his household and—		
	(*i*) the expenses on maintenance and running are met or reimbursed by the employer;	Rs. 5,000 (*plus* Rs. 3,000, if chauffeur is also provided to run the motor car by the employer)	Rs. 7,000 (*plus* Rs. 3,000, if chauffeur is also provided to run the motor car by the employer);
	(*ii*) the expenses on running and maintenance for private or personal use are fully met by the assessee.	Rs. 2,000 (*plus* Rs. 3,000, if chauffeur is also provided by the employer to run the motor car by the employer).	Rs. 3,000 (*plus* Rs. 3,000, if chauffeur is also provided to run the motor car by the employer).
(2)	Where the employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur, if any) are met or reimbursed to him by the employer and—		
	(*a*) such reimbursement is for the use of the vehicle wholly and exclusively for official purposes;	no value, if the documents specified in sub-rule (3)(*c*) are maintained by the employer	no value, if the documents specified in sub-rule (3)(*c*) are maintained by the employer;
	(*b*) such reimbursement is for the use of the vehicle partly for official purposes and partly for personal or private purposes of the employee or any member of his household.	the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(*c*)(*i*) above, if the conditions mentioned in sub-rule (3)(*c*) are fulfilled.	the actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(*c*)(*i*) above, if the conditions mentioned in sub-rule (3)(*c*) are fulfilled.
(3)	Where the employee owns any other automotive conveyance but the actual running and maintenance charges are met or reimbursed to him by the employer and		
	(*a*) such reimbursement is for the use of the vehicle wholly and exclusively for official purposes;	no value, if the documents specified in sub-rule (2)(*c*) are maintained by the employer	not applicable;
	(*b*) such reimbursement is for the use of vehicle partly for official purposes and partly for personal or private purposes of the employee.	the actual amount of expenditure incurred by the employer as reduced by the amount of Rs. 3,000 if the conditions mentioned in sub-rule (3)(*c*) are fulfilled.	

(*b*) Where an employer owns or hires one or more motor cars and allows the employee or any member of his household to use them for the purposes other than wholly and exclusively in the performance of his duties, the value of perquisite shall be the amount calculated as below:

(*i*) for one car, in accordance with Table II: Sl. No. (1)(*c*)(*i*); and

(*ii*) for other cars, in accordance with Table II: Sl. No. (1)(*b*).

(*c*) If the employer or employee claims that the motor vehicle is used solely for official duties or that the actual expenses for running and maintaining the employee-owned motor vehicle for official purposes exceed the deductible amounts in Table II: Sl. No. 2(*b*) or 3(*b*), he may claim a higher amount for official use and in this case, the value of the perquisite shall be the actual amount of expenses paid or reimbursed by the employer, minus the higher amount attributed to official use of the vehicle provided that the following conditions are fulfilled: —

(*i*) the employer has maintained complete details of journey undertaken for official purpose which may include date of journey, destination, mileage and the amount of expenditure incurred thereon; and

(*ii*) the employer gives a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties.

(*d*) For the purposes of this sub-rule, the normal wear and tear of a motor car shall be taken at 10% per annum of the actual cost of the motor car or cars.

(4) The value of benefit provided by the employer to the employee or any member of his household for goods, services or utilities, as referred to in column B of the following Table III, shall be computed in accordance with column C thereof:—

TABLE III

Sl. No.	*Nature of goods, services or utilities*	*Value of benefit of the goods, services or utilities provided*
A	*B*	*C*
1.	Services of a sweeper, a gardener, a watchman or a personal attendant.	The total amount of salary paid or payable by the employer or any other person on his behalf for such services as reduced by any amount paid by the employee for such services.
2.	(*a*) Supply of gas, electric energy or water for the consumption of the employee's household by purchasing them from any outside agency.	The amount paid by the employer to the agency supplying the gas, electric energy or water, as reduced by any amount paid by the employee in respect of such services.
	(*b*) Supply of gas, electric energy or water for the consumption of the employee's household made from resources owned by the employer, without purchasing them from any outside agency	The amount of the manufacturing cost per unit incurred by the employer, as reduced by any amount paid by the employee in respect of such services.
3.	(*a*) Provision of free or concessional educational facilities for any member of the employee's household.	The amount of expenditure incurred by the employer in this regard, as reduced by any amount paid or recovered from the employee on that account.
	(*b*) Provision of free or concessional educational facilities for any member of employee household, where the educational institution is itself maintained and owned by the employer.	Cost of such education in a similar institution in or near the locality, as reduced by any amount paid or recovered from the employee on that account, where the cost of such education or value of such benefit per child exceeds Rs. 3,000 per month.
	(*c*) Provision of free educational facilities for any member of employees' household in any other educational institution by reason of his employment.	Cost of such education in a similar institution in or near the locality, as reduced by any amount paid or recovered from the employee on that account, where the cost of such education or value of such benefit per child exceeds Rs. 3,000 per month.
4.	Provision by an employer who is engaged in the carriage of passengers or goods, to any employee (not being an employee of an airline or the railways) or to any member of his household, for personal or private journey free of cost or at concessional fare, in any conveyance owned, leased or made available by any other arrangement by such employer for the purpose of transport of passengers or goods.	Value at which such benefit or amenity is offered by such employer to the public as reduced by the amount, if any, paid by or recovered from the employee for such benefit or amenity.

(5)(*a*) In terms of provisions contained in section 17(1)(*e*), the value of other benefits or amenities of the nature referred to in Column B of the following Table IV shall be determined in accordance with column C and subject to conditions provided in Column D thereof:—

TABLE IV

Sl. No.	*Nature of other benefits or amenities*	*Value of perquisite*	*Conditions*
A	*B*	*C*	*D*
1.	Benefit from the provision of interest-free or concessional loan for any purpose made available to the employee or any member of his household during the relevant tax year by the employer or any person on his behalf.	It shall be the sum equal to the interest computed at the annual rate charged by the State Bank of India, constituted under the State Bank of India Act, 1955 (23 of 1955), as on the 1st day of the relevant tax year in respect of loans by the bank for the same purpose, using the maximum outstanding monthly balance as reduced by the interest, if any, actually paid by him or any such member of his household.	(*a*) No value would be charged if such loans are made available for medical treatment in respect of diseases specified in rule 18 or where the amount of loans is not exceeding Rs. 2,00,000 in the aggregate; and (*b*) where the benefit relates to the loans made available for medical treatment referred to in clause (*a*), the exemption so provided shall not apply to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.

2.	The value of travelling, touring, accommodation and any other expenses paid for or borne or reimbursed by the employer for any holiday availed of by the employee or any member of his household, other than concession or assistance referred to in rule 277.	It shall be the sum equal to the amount of the expenditure incurred by such employer in that behalf.	(*a*) Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public; or (*b*) where the employee is on official tour and the expenses are incurred in respect of any member of his household accompanying him, the amount of expenditure so incurred shall be an amenity; or (*c*) where any official tour is extended as a vacation, the value of such fringe benefit shall be limited to the expenses incurred in relation to such extended period of stay or vacation as reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity.
3.	The value of free food and non-alcoholic beverages provided by the employer to an employee.	It shall be the amount of expenditure incurred by such employer as reduced by the amount, if any, paid or recovered from the employee for such benefit or amenity.	This provision shall not apply to (*a*) free food and non-alcoholic beverages provided by such employer during working hours at office or business premises or through paid vouchers usable only at eating joints, to the extent the value thereof in either case does not exceed Rs. 200 per meal; or (*b*) tea or snacks provided during working hours; or (*c*) free food and non-alcoholic beverages during working hours provided in a remote area or an off-shore installation.
4.	The value of any gift, or voucher, or token (in lieu of gift) received by the employee or by member of his household on ceremonial occasions or otherwise from the employer.	It shall be the sum equal to the amount of such gift.	It shall be '*nil*', if the value of such gift, voucher or token, as the case may be, is below Rs. 15,000 in aggregate during the tax year.
5.	The amount of expenses including membership fees and annual fees incurred by the employee or any member of his household, which is charged to a credit card (including any add-on-card) provided by the employer, or otherwise, paid for or reimbursed by such employer.	It shall be the amount taken to be the value of perquisite chargeable to tax as reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.	There shall be no value of such benefit, where expenses are incurred wholly and exclusively for official purposes and the conditions specified in sub-rule (5)(*b*) are fulfilled.
6.	The value of benefit to the employee resulting from the payment or reimbursement by the employer of any expenditure incurred (including the amount of annual or periodical fee) in a club by him or by a member of his household.	It shall be determined to be the actual amount of expenditure incurred or reimbursed by such employer on that account and the amount so determined shall be reduced by the amount, if any paid or recovered from the employee for such benefit or amenity.	(*a*) Where the employer has obtained corporate membership of the club and the facility is enjoyed by the employee or any member of his household, the value of perquisite shall not include the initial fee paid for acquiring such corporate membership; and (*b*) the provision given in column C of Sl. No. 6 shall not apply, if such expenditure is incurred wholly and exclusively for business purposes and the following conditions are fulfilled:— (*i*) conditions in sub-rule (5)(*b*) are fulfilled; and (*ii*) use of health club, sports and similar facilities are provided uniformly to all employees by the employer.
7.	The value of benefit to the employee resulting from the use by the employee or any member of his household of any movable asset (other than assets already specified in this rule and other than laptops, computers, tablets and mobile phones) belonging to the employer or hired by him.	It shall be determined at 10% per annum of the actual cost of such asset or the amount of rent or charge paid or payable by the employer, as the case may be, as reduced by the amount, if any, paid or recovered from the employee for such use.	

8.	The value of benefit to the employee arising from the transfer of any movable asset belonging to the employer directly or indirectly to the employee or any member of his household	It shall be determined to be the amount representing the actual cost of such assets to the employer as reduced by the cost of normal wear and tear and as further reduced by the amount, if any, paid or recovered from the employee being the consideration for such transfer.	The cost of normal wear and tear shall be calculated at the rate of (*a*) 50% in case of computers and electronic items, by reducing balance method; (*b*) 20% in the case of motor cars, by reducing balance method; and (*c*) 10% in case of other assets, of the cost of the asset for each completed year during which such asset was put to use by the employer.
9.	The value of any other benefit or amenity, service, right or privilege provided by the employer, except expenses on telephones, including a mobile phone.	It shall be determined on the basis of cost to the employer under an arm's length transaction as reduced by the employee's contribution, if any.	

(*b*) For the purposes of clauses (*a*) of Table IV: Sl. Nos. 5 and 6. C, the following conditions need to be satisfied:—

(*i*) complete details in respect of such expenditure are maintained by the employer which may, *inter alia*, include the date of expenditure and the nature of expenditure;

(*ii*) the employer gives a certificate for such expenditure to the effect that the same was incurred wholly and exclusively for the performance of official duties.

(6) For the purposes of section 17(1)(*d*), the fair market value of any specified security or sweat equity share, being an equity share in a company, on the date on which the option is exercised by the employee, shall be determined as follows:—

(*a*) in a case where, on the date of the exercising of the option, the share in the company is listed on a recognised stock exchange, the fair market value shall be the average of the opening price and closing price of the share on that date on the said stock exchange, subject to the provisions of clause (*b*);

(*b*) in a case where, on the date of exercising of the option, the share is listed on more than one recognised stock exchanges, the fair market value shall be the average of the opening price and closing price of the share on the recognised stock exchange which records the highest volume of trading in the share;

(*c*) in a case where, on the date of exercising of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be —

- (*i*) the closing price of the share on any recognised stock exchange on a date closest to the date of exercising of the option and immediately preceding such date; or
- (*ii*) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of exercising of the option and immediately preceding such date, is recorded on more than one recognised stock exchange;

(*d*) in a case where, on the date of exercising of the option, the share in the company is not listed on a recognised stock exchange, the fair market value shall be such value of the share in the company as determined by a merchant banker on the specified date.

(7) For the purposes of section 17(1)(*d*), the fair market value of any specified security, not being an equity share in a company, on the date on which the option is exercised by the employee, shall be such value as may be determined by a merchant banker on the specified date.

(8) For the purposes of this rule—

(*a*) "accommodation" includes a house, flat, farm house or part thereof, or accommodation in a hotel, motel, service apartment, guest house, caravan, mobile home, ship or other floating structure;

(*b*) "closing price" of a share on a recognised stock exchange on a date shall be the price of the last settlement on such date on such stock exchange, and where the stock exchange quotes both "buy" and "sell" prices, the closing price shall be the "sell" price of the last settlement;

(*c*) "entertainment" includes hospitality of any kind and also, expenditure on business gifts other than free samples of the employer's own product with the aim of advertising to the general public;

(*d*) "hotel" includes licensed accommodation in the nature of motel, service apartment or guest house;

(*e*) "maximum outstanding monthly balance" means the aggregate outstanding balance for each loan as on the last day of each month.

(*f*) "member of household" shall include—

- (*i*) spouse;
- (*ii*) children and their spouses;
- (*iii*) parents; and
- (*iv*) servants and dependants;

(*g*) "merchant banker" means category I merchant banker registered with Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992 (15 of 1992);

(*h*) "opening price" of a share on a recognised stock exchange on a date shall be the price of the first settlement on such date on such stock exchange and where the stock exchange quotes both "buy" and "sell" prices, the opening price shall be the "sell" price of the first settlement;

(*i*) "recognised stock exchange" shall have the same meaning assigned to it in section 2(*f*) of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);

(*j*) "remote area", specified in sub-rule (1)(*b*), means any area other than an area which is located—

- (*i*) within the local limits of; or
- (*ii*) within a distance, measured aerially, of thirty kilometers from the local limits of, any municipality or a cantonment board having a population of one lakh or more based on the 2011 census;

(*k*) "salary" includes the pay, allowances, bonus or commission payable monthly or otherwise or any monetary payment, by whatever name called, from one or more employers, as the case may be, but does not include the following:—

- (*i*) dearness allowance or dearness pay, unless it enters into the computation of superannuation or retirement benefits of the employee concerned;
- (*ii*) employer's contribution to the provident fund account of the employee;
- (*iii*) allowances, which are exempted from payment of tax;
- (*iv*) the value of perquisites specified in section 17(1);